Form FMC-2 (Rev. 07-89) UNITED STATES GOVERNMENT

Memorandum

FEDERAL MARITIME COMMISSION

RECEIVED
03 MAY 27 PM 5:04
OFFICE OF THE SECRETARY
FEDERAL MARITIME COMM

TO : Bryant L. VanBrakle, Secretary

DATE: May 27, 2003

FROM : Rebecca F. Dye, Commissioner

SUBJECT : Docket No. 02-15 - Passenger Vessel Financial Responsibility meeting with Royal Caribbean Cruises Ltd.

On May 21, 2003, I met with Mr. Richard Fain, Chairman and Chief Executive Office of Royal Caribbean, Mr. Michael Roberts and Mr. Hopewell Darneille of the law firm Thompson Coburn, and Mr. Jeffrey Turner of the law firm Patton Boggs at their request to receive their views on the Federal Maritime Commission's proposed regulations on passenger vessel financial responsibility.

Mr. Fain generally discussed his company's strong opposition to the FMC's notice of proposed rulemaking on Passenger Vessel Financial Responsibility, Docket No. 02-15. Mr. Fain began the meeting by reporting that he is also the Chairman of the International Council of Cruise Lines and that a study by this industry group has found that the cruise ship industry results in 261,000 American jobs.

Mr. Fain said that the proposal to lift the $15 million ceiling on required passenger vessel financial responsibility for performance would cost his company a great deal without increasing the protection of cruise ship passengers for passenger vessel non-performance. Mr. Fain notes that no cruise ship bankruptcy has resulted in an American passenger not being reimbursed for his advanced payment for a cruise vacation.

Mr. Fain explained that his company has assets in the billions of dollars. Even in the remote possibility of the bankruptcy of Royal Caribbean, Mr. Fain strongly believes that it would be in their creditors best interest to continue to operate their cruise ships.

Mr. Fain also said that raising the $15 million ceiling on financial responsibility would require Royal Caribbean to secure a substantially larger bond to cover the company's unearned passenger revenue. This bond would have to be fully collateralized resulting in a large reduction in Royal Caribbean's working capital. Less capital would result in fewer ships and fewer jobs. Mr. Fain estimates that the annual cost of this larger bond would result in a 20 percent decrease in Royal Caribbean's net income. He believes that the Commission should do a cost/benefit analysis to allow the proposed regulation to be fully evaluated.

Mr Fain also expressed the view that passengers are not at risk of losing their advanced cruise vacation payments under current FMC regulations. He notes that a large number of cruise passengers pay for their cruises with credit cards and that credit card companies currently pay for the non-delivery of goods. Mr. Fain concluded by saying this regulation, if approved, would encourage cruise ship operators to depart from foreign ports where operators do not have to comply with FMC regulations on passenger vessel performance.

Mr. Roberts and Mr. Turner confirmed that the information presented during this meeting will be included in the written docket by Royal Caribbean before the end of the proposed rule's comment period.